

Inside Scoop - Best Practices in Investor Relations: What Board Members, Executives, and General Counsel Need to Know

Kathy Jaffari is joined by Ankit Hira, Managing Director at Solebury Strategic Communications to explore the value proposition of investor relations and the importance of developing a quality, proactive IR program. The segment offers advice for those companies that do not have IR departments as well as for those organizations that do. Ankit shares practical advice on how an IR plan can be laid out, the importance of data and establishing an effective data collection process and instituting public filing processes. He also discusses the role of CEOs, CFOs, other management team members, and the board can and should play in IR and the importance of having credible and transparent leadership.



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Transcript

Kathy Jaffari:

Hello everyone, and thank you for joining us today on Inside Scoop, a series brought to you by Cozen O'Connor. Welcome to your 20 to 30 minutes of getting the Inside Scoop from top minds in corporate governance and securities and learning some tips of the trade to solve the most pressing problems faced by board members, executives, general counsel, and compliance officers.

I am very happy to introduce you to Ankit Hira, from Solebury Strategic Communications. Ankit is a managing director at Solebury. He co-leads the firm's technology and software practice on the investor relations side.

As a leader of the Corporate Governance and Capital Markets and Securities Practice Groups at Cozen O'Connor, I have the privilege of advising clients with respect to all aspects of corporate matters, including how investor relations can be used as an effective communications tool. It is always helpful to speak with experts regarding best practices in the world of IR and the inevitable challenges and opportunities that companies need to navigate.

Solebury is a full-service, strategic financial communications advisory firm that works with both private and public companies, and advises management teams on their investor relations, corporate communications, as well as ESG programs. Thank you so much, Ankit, for joining us today. I'd like to start with you introducing yourself before we jump into the conversation on Cozen O'Connor's Inside Scoop.

Ankit Hira:

Thank you for giving me the opportunity to join. My name is Ankit Hira, managing director at Solebury. I've been with the firm for about nine years. Prior to joining Solebury, I came from an investment background also covering tech.

Kathy Jaffari:

I am hoping you can provide practical thoughts and guidance on the topic of investor relations, what we'll refer to as best practices or good practices and trends. I get weary of saying best practices because I feel like they change every quarter, maybe even every other day depending on the topic at hand.

We all know the importance of investor relations in general, but I would love for the audience to hear from you about the value proposition of investor relations.

Ankit Hira:

Investor relations is becoming more of a staple department as you would otherwise find a marketing department or finance department within organizations. It's really about creating a process around each work stream. There are different deliverables and work streams that fall into the IR purview. As a general best practice, we recommend instituting a process around each approach because that allows you to better mitigate against any unknowns.

For example, when it comes to preparing our clients for quarterly earnings, we think about the earnings process in three different phases: pre-earnings, earnings, and post-earnings. There are a number of deliverables and work streams that we need to get done.

Pre-earnings: Reconciling consensus, gathering Q&A documents, doing Q&A rehearsals for our clients, etc. Earnings day: We're essentially with our clients in the room with management teams on earning calls, and also running the callbacks with analysts and investors. Post-earnings: We're also, again, reconciling consensus for our clients, which is a huge task, and then also coordinating investor marketing plans and things of that nature. In general, I would say instituting a process around each deliverable.

Kathy Jaffari:

I want to break that down a little bit more, the value proposition. You even started talking about process. What do you consider a best practice or process--or even guidance--when it comes to quality proactive IR programs?

I want to talk about those in normal times. I'm not talking about, for example, a crisis or a special situation. I'm just talking about - is it a good idea and what does it look like if you want to put together an IR program?

Ankit Hira:

It all starts with aligning the company's goals and mission with the street and making sure you're creating an equity story and positioning in a way that will resonate with the street.

One example that I'd also like to give is investor targeting. I think in a couple of weeks, we'll get another batch of the 13F filings, which will disclose institutional holdings as the prior quarter ends. Going back to the word "proactive" - we not only sift through those reports, and put together a report on the top holders, buyers/sellers, and new holders that may have initiated a position in our client's company; but we take it a step further and start to reach out to those investors that have initiated new positions or may have downsized their existing positions, or may have liquidated their position entirely. So, not only digesting the information that becomes available but then taking a

step further and acting on it.

Kathy Jaffari:

I'm going to call that out as a tip, in terms of us describing how an actual IR program can be laid out, and this can be one piece of the program.

I don't think many people think about those filings on a quarterly basis. Oftentimes, clients and colleagues think of those filings once a year when they're doing their proxy statements and creating their tables as a public company, but to do it on a quarterly basis and to really be proactive about it, I think was a great tip.

In line with a program within your company, what can you provide in terms of information to executives and general counsel, that may not have a dedicated investor relations department or head of IR?

I'm going to split this up into two parts: if they have an IR team and if they don't have an IR team. I'm going to start with how executives and general counsel, or even companies without general counsel, figure out how to handle IR.

Ankit Hira:

Let me answer that by slightly patting our own back and saying we'll hire Solebury. We can help to bridge that gap. Investor relations practitioners, we come from the sell-side, banking backgrounds, and buy-side investors, so we can come in and really coach management teams on how to run investor relations programs in investment-class fashion.

For companies that do not have dedicated IR, we generally find companies elevate someone within the financial planning and analysis (FP&A) department or treasury to take on the IR hat. While we can remain engaged and support that person while he or she is having conversations, we're finding ourselves becoming more of a strategic partner in terms of advising them how to position the story with investors as they're having conversations with the stream.

Secondly, I'll also flag the idea of Regulation FD. The other benefit of having a trained IR practitioner in the IR department in companies is that they're trained on Reg. FD. If they're not, I would highly advise companies to provide that training just to make sure that folks are delineating between what can and can't be communicated.

Going back to your first question on process, that's another process that we run with our clients – determining what the internal response should be to a question, and what the external response should be when an analyst or investor asks.

Kathy Jaffari:

Excellent tip and as a securities lawyer, thank you for raising the Reg FD issue. That's what we advise on. We provide training on that. We provide guidance on that. Whether you use a third party or not, it is extremely important to make sure if you are a public company that you are all over the Reg. FD rules.

It's extremely important, and I want to highlight that guidance and what I'll call a takeaway tip. Internal communication and external communication, and simply making sure that they are aligned, and they are not conflicting.

What if there is an IR department or head of IR? How do they engage with a third-party supplier like Solebury?

Ankit Hira:

I'll start by answering that question by saying, our role is not to disintermediate the existing IRO or the existing IR team within the organization, but instead, we're hired to create operational efficiencies, and that's what we do when we're hired. We come in, and whoever is leading investor relations – his or her job should be mainly to cultivate their relationships with the street, having conversations with investors and analysts alike; and our job really in those instances is to drive the data, drive the analyses that should inform key IR decisions.

What we're doing is providing extra arms and legs bandwidth, to support the existing IR program. In fact, it is one of the types of relationships that we prefer because it shows that the company is dedicating resources and time to investor relations, and you're enhancing investor education, which therefore should enhance shareholder value.

Kathy Jaffari:

To the extent that a company may not choose to hire an IR firm, you're providing us with a great tip and piece of guidance in terms of the importance of data.

We also understand it's helpful to get help with collecting that data, so I am a proponent of organizations getting third parties like Solebury to partner with as a support team. I really am also grateful for you providing some guidance on some of these ideas, including the collection of data. I think that is really important when you're determining what types of communications you want to have both internally and externally.

Anything more to shed light on regarding that piece?

Ankit Hira:

I think it's a fantastic point you raised and just to the additional point on data, there's just so much out there. There are so many resources. There are so many databases that are available to companies and to agencies like ourselves where when we're hired we come in the spirit of creating best-in-class IR programming, creating efficiencies. We're also be able to parse through all the noise. What we're able to do is become a first line of defense and kind of say, "These are the analyses that we should be running, this is the data that we should be considering, and therefore, this is the action plan that we recommend."

Kathy Jaffari:

I love that you touched on the word "noise." We could probably spend a whole 20-30 minutes talking about the "noise" that is out there right now.

A tip in investor relations is to make sure that our listeners think about what is "noise" and what is "sound" that needs to be listened to, either addressed, communicated about--at a minimum, discussed internally.

I want to turn to the CEO, CFO, and management teams. As you were talking about the "noise" that's out there, as a governance lawyer, I get a lot of questions from boards and management teams saying XYZ is going on; how and when do we address it?

At the forefront, what do you believe is the role of the CEO, CFO, management teams, and even the board in thinking about investor relations and the investor relations process?

Ankit Hira:

The short answer is that they play a critical role in investor relations simply because investors do have a mandate out there to often invest behind credible transparent management teams. Their investment criteria before committing capital to equity. In general, we find the CEO or the CFO obviously being involved in investor conversations. Not every investor conversation should involve a CEO, and that's why we're involved.

We're hired to be that first line of defense. To have those types of conversations between ourselves and the investor, or alongside the IRO, having ourselves in the room with the investor, and only elevating those conversations with a key or top shareholder, with the CEO. We oftentimes find the board getting involved whenever there are challenging or hairy quarters.

We find having the opportunity to display the breadth and depth of the management team is actually an advantage. In today's time, there are a lot of companies talking about their plans in the product roadmap as it relates to generative AI. And what we're finding these days on earnings calls is that chief technology officers are participating. It's not just the CEO, CFO, and board members, or in some cases, the chairman, but their chief technology officer is involved in those conversations to outline the product roadmap and discuss how the company plans to monetize the generative AI move. Investor relations requires complete buy-in from the broader management team and the

board, and it will benefit.

Kathy Jaffari:

I want to highlight that piece of guidance and tip you're providing in terms of who is in the room and who can be potentially in the room. I do love that concept of the first line of defense—the third-party IR provider like Solebury and the investor relations officer. And then, when it's time, to bring in either the CEO or CFO, or another part of the management. You talked about the chief technology officer in the world of AI. I think sometimes in relation to ESG, I think about the chief sustainability officer may be the person that is in the room to be able to either answer questions or at least give a sense of the roadmap.

Ankit Hira:

I think you raise a good point. We sometimes involve the chief sustainability officer these days because for a lot of our clients, it may be their first time publishing their inaugural sustainability report and investors will go through and read that report and then come back to us with questions. We find ourselves pulling in the ESG department or the chief sustainability officer and their team to help provide those responses. Again, investor relations involve a complete buy-in from the product management team and other senior leaders within our organization, and that's just another example.

Kathy Jaffari:

I'm going to pull in your tip from earlier on Reg. FD. No sharing of material non-public information, but trying to be responsive and consistent. I know in terms of an IR plan, you could probably go through an entire plan of what it could look like. I do appreciate all of the various tips and guidance that you're providing.

I really loved the terminology you used. This is why it's important in having the right IR support team behind you -- a "credible transparent management team."

I want to highlight the terminology that you used because it's important whether you're public or private. Whether the investment is a private equity individual or the public investor going to the New York Stock Exchange or NASDAQ and looking to see an investment opportunity. This concept of credible and transparent management seems like such a critical term.

Ankit Hira:

We find ourselves also getting engaged with clients even going through that process. We do have a Solebury capital arm to our business which works exclusively on the underwriting side. We often find ourselves earlier, pre-listing, so that we can coach the team on how to position the story, IPO readiness, dark listing, etc. Whatever the manner may be to go public. That's exactly the process that we run, trying to determine what should and shouldn't be disclosed. Obviously, sticking to the public filings, there needs to be a process that needs to be run, in terms of communicating with the investors, testing the waters, having the analysts take off sections, and then there are quiet periods and dark periods to be mindful of.

On the other side of going public: management needs to be aware of what information can be shared. What were the long-term targets that the company had presented when going public, etc. Because those would be the benchmarks that the company will be measured against. It really requires a plan to be built well before a potential listing.

Kathy Jaffari:

As a capital markets and securities lawyer, I cannot echo it enough because I think it's so important to have professionals like Solebury, like you, others like you in the room before the time comes in order to create that plan and that prepping.

There are some wonderful excellent CEOs, CFOs, and management teams out there. But the rules and regulations on what can be said, what is not permitted to be said, are expansive. I think it's very important to have someone knowledgeable in that space with you providing that guidance. It doesn't mean just the lawyers have to be in the room. It means having all of the support teams in the room like the lawyers and the IR professionals to be able to provide that guidance.

Ankit Hira:

It requires multiple advisors to be sitting along with management because we bring that background. Having gone through those experiences, through mergers and acquisitions, public listings, management turnover, and activist campaigns, we're able to be that voice in the room. To stay cool, calm, collected. And develop a plan and execute on that plan.

Kathy Jaffari:

What nice complimentary businesses that you have. To be able to advise and work in the capital market space and also combine that with the investor relations space is so important and so key. I would say not all organizations are doing both. I understand they're a dedicated team. I think that's really important.

Ankit Hira:

Yes, that's certainly part of our DNA. As I mentioned earlier, we're all ex-investors and bankers, so we really bring that DNA and approach to our clients' work.

Kathy Jaffari:

I'd like to end with a final tip or a final piece of guidance that you would like to leave the audience with regarding investor relations.

Ankit Hira:

I think it goes back to dedicating a plan and dedicating resources toward building on an IR function. As we talked about right through this session, there are some companies that do not have a dedicated IR team, and there are others that do. Either way, I would highly advise all of your listeners to higher us as an external IR partner, or dedicate internal resources because there needs to be that line of communication between the company, especially if you're public. Have that honest communication with the company and investors, and stakeholders.

There's a lot of wood to chop in IR, and I think we have been through a variety of different situations. We've seen the benefits of having a best-in-class IR play out, and having that consistent ongoing investor education, should and will enhance shareholder value.

Kathy Jaffari:

I'm going to highlight three words: consistent, credible, and transparent. I think those are three things that our audience can take away in thinking about their current IR plans and programs and resources. And if they're not thinking about these terms as they create and plan their future processes and resources, they should make sure they have the resources on hand.

Thank you so much for your helpful insights and guidance, and for being here today with us. And I want to say thank you to the audience. Thank you for joining this conversation and being committed and starting to be committed to the Cozen O'Connor Inside Scoop program. If you have any questions, you can contact me directly at KJaffari@cozen.com.
